

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY
FOR
ROLE OF PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS**

April 11, 2011

This policy is effective immediately upon adoption. A transition period will be in effect as follows: Private Asset Class Board Investment Consultants would start no new projects for Staff after June 30, 2011 and Private Asset Class Board Investment Consultants would complete all existing projects for Staff by March 31, 2012.

I. PURPOSE

The California Public Employees' Retirement System ("CalPERS") Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), sets forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the Role of Private Asset Class Board Investment Consultants ("Private Asset Class Board Investment Consultants").

II. STRATEGIC OBJECTIVE

The strategic objective of this Policy is to define the roles of the Private Asset Class Board Investment Consultants to support our mission in advancing the financial and health security for all who participate in CalPERS.

III. RESPONSIBILITIES

- A. Staff is responsible for monitoring the implementation of, and compliance with, the Policy. Staff shall report concerns, problems, material changes, and all violations of the Policy at the next Committee meeting, or sooner if deemed necessary. These reports shall include explanations of any violations and appropriate recommendations for corrective action.

- B. The Private Asset Class Board Investment Consultant is responsible for:
1. Strategy and Policy Analysis
 - a. Review and opine on investment policies;
 - b. Review and opine on strategic and annual plans;
 - c. Provide periodic forecasts of asset class returns for asset allocation purposes; and,
 - d. Provide periodic analysis of market developments, market conditions, and macro-level view of market opportunities to the Committee.
 2. Performance Analysis and Monitoring
 - a. Prepare investment performance reports and portfolio risk analysis;
 - b. Provide guidance on performance measurement methodologies;
 - c. Review and opine on appropriateness of asset class benchmarks; and,
 - d. Validate accuracy of Real Estate incentive fee calculations.
 3. Independent Advisor to the Committee
 - a. Provide opinion to the Committee on investments above Staff's delegation of authority;
 - b. Evaluate whether the investment transactions comply with applicable Committee policy and, if applicable, Staff's delegation of authority and provide opinion regarding compliance;
 - c. Perform periodic reviews of major asset class sub component programs and provide opinion on performance, risk, manager selection and monitoring processes, and on internal control process and staffing;
 - d. Perform annual review of the program and provide opinion on performance, risk, manager selection and monitoring

processes, and on internal control processes and staffing;
and,

- e. Provide independent advice to the Committee on all aspects of the program and its implementation.
4. The Private Asset Class Board Investment Consultants cannot:
- a. Manage assets for the CalPERS;
 - b. Perform work for Staff on special projects; and,
 - c. Provide opinions to Staff regarding specific investment transactions.

IV. INVESTMENTS DECISION MAKING PARAMETERS – PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS

A. Investment Decisions within Staff's delegated authority

- 1. Investment transactions **under** \$50 million:
 - a. Staff will analyze the transaction and make the investment decision.
 - b. An Investment Consultant, other than the Private Asset Class Board Investment Consultant may provide a Prudent Person Opinion to Staff at the discretion of the Senior Investment Officer ("SIO").
 - c. The Private Asset Class Board Investment Consultant will participate in transaction discussions at the request of the SIO.
- 2. Investment transactions **over** \$50 million:
 - a. Staff will analyze the transaction and make the investment decision.
 - b. An Investment Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.
 - c. The Private Asset Class Board Investment Consultant will participate in transaction discussions at the request of the SIO.

B. Investment decisions exceeding Staff's delegated authority:

1. Staff will analyze the transaction and provide a recommendation to the Committee.
2. An Investment Consultant, other than the Private Asset Class Board Investment Consultant will provide a Prudent Person Opinion to Staff.
3. The Private Asset Class Board Investment Consultant will participate in transaction discussions at the request of the SIO.
4. The Private Asset Class Board Investment Consultant will provide an opinion on the transaction to the Committee.

C. Opinion Standard

Investment Consultants shall provide a Prudent Person Opinion on the merits of a transaction following a fiduciary standard of care.

V. GLOSSARY OF TERMS

Key words used in this policy are defined in CalPERS Master Glossary of Terms.

Approved by the Policy Subcommittee: April 11, 2011

Asset Class Glossary:
Policy: Role of Private Asset Class Board Investment Consultants
April 11, 2011

Fiduciary Standard of Care

The consultant or external resource shall discharge its duties with respect to this system solely in the interest of the participants and beneficiaries by acting with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims.

Investment Consultants

An individual or organization who are contractually retained or have been appointed to a pool by CalPERS to provide investment advice but who do not exercise investment discretion.

Private Asset Class Board Investment Consultant

An individual or organization that provides specialized professional assistance to the Investment Committee related to an asset class regarding strategy and policy analysis, performance analysis and monitoring, and independent advisory service to the Investment Committee.

Prudent Person Opinion

An opinion from a consultant or external resource subject to the Fiduciary Standard of Care that the proposed investment is a prudent investment consistent with Article XVI, Section 17(c) of the California Constitution and Section 20151 (c) of the California Government Code, i.e., made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.